



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	SB0224	<b>Title:</b>	Transfer \$30 million from general fund to work comp old fund
<b>Primary Sponsor:</b>	Brown, Roy	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund (Transfer)	\$0	\$30,000,000	\$0	\$0
Proprietary	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Proprietary - Old Fund	\$0	\$30,000,000	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>(\$30,000,000)</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** The bill provides for the transfer of up to \$30 million from the general fund to the Old Fund to pay for expenses of workers' compensation claims that occurred before July 1, 1990.

### FISCAL ANALYSIS

#### Assumptions:

- As of June 30, 2008, the unfunded liability of the Old Fund was \$36.5 million.
- Under current cash flow assumptions, the Old Fund assets will be depleted sometime in the last half of fiscal year ending June 30, 2011 (FY 2011).
- The maximum transfer of \$30 million from the general fund specified in the bill is assumed to be transferred to the Old Fund in the 4<sup>th</sup> quarter of FY 2011 though this transfer may be less, take place in installments, and may take place anytime before June 30, 2011.
- Following the \$30 million transfer, Montana State Fund (MSF) projects the Old Fund will have funds available to pay claim liabilities until approximately the 4<sup>th</sup> quarter of FY 2017. This is based on an assumed rate of return on invested assets of 4.5%, transferred funds being invested immediately and held until needed

to pay claims. The payout pattern as estimated by Tillinghast-Towers Perrin with adjustments for liabilities payable under the court rulings in Schmill and Stavenjord.

5. Following the \$30 million transfer, as of the end of FY 2017, the Old Fund would have an unfunded liability of approximately \$14 million.
6. Section 1.(2) provides the Office of Budget and Program Planning (OBPP) the authority to reduce the transfers if the 2011 biennium unreserved ending fund balance is projected to be below \$125 million.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Transfers	\$0	\$30,000,000	\$0	\$0
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$30,000,000	\$0	\$0
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Proprietary - Old Fund	\$0	\$30,000,000	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$30,000,000</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$30,000,000)	\$0	\$0
Proprietary - Old Fund	\$0	\$30,000,000	\$0	\$0

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*Sponsor's Initials*


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*Date*


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*Budget Director's Initials*


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*Date*